



Office of the State Auditor

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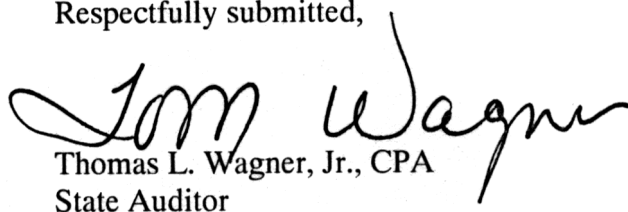
November 20, 2000

Members of the State Budget and Control Board
State of South Carolina
Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the South Carolina Office of the State Auditor for the fiscal year ended June 30, 2000, was issued by Scott McElveen, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

South Carolina Office of the State Auditor

Columbia, South Carolina

Report on Agreed-Upon Procedures

for the year ended June 30, 2000

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Thomas L. Wagner, Jr., CPA,
State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Office of the State Auditor, solely to assist you in evaluating the performance of the South Carolina Office of the State Auditor for the fiscal year ended June 30, 2000, in the areas addressed. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures and the associated findings are as follows:

1. We tested selected recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the tested receipt transactions were adequate. We also tested selected recorded receipts to determine if these receipts were recorded in the proper fiscal year. We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if the recorded revenues were in agreement. We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law. We compared current year recorded revenues from sources other than State General Fund appropriations to those of the prior year to determine the reasonableness of collected and recorded amounts by revenue account. The individual transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented as Comment 1 in the Accountants' Comments section of this report.

2. We tested selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records, were bona fide disbursements of the South Carolina Office of the State Auditor, were paid in conformity with State laws and regulations, and if internal controls over the tested disbursement transactions were adequate. We also tested selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year. We compared amounts recorded in the general ledger and subsidiary ledgers to those in STARS as reflected on the Comptroller General's reports to determine if recorded expenditures were in agreement. We compared current year recorded expenditures to those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account. The individual transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
3. We tested selected recorded payroll disbursements to determine if the tested payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements; and internal controls over the tested payroll transactions were adequate. We tested selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS. We also tested payroll transactions for selected new employees and those who terminated employment to determine if internal controls over these transactions were adequate. We compared amounts recorded in the general ledger and subsidiary ledgers to those in STARS as reflected on the Comptroller General's reports to determine if recorded payroll and fringe benefit expenditures were in agreement. We performed other procedures such as comparing current year recorded payroll expenditures to those of the prior year and comparing the percentage change in recorded personal service expenditures to the percentage change in employer contributions to determine if recorded payroll and fringe benefit expenditures were reasonable. The individual transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented as Comment 2 in the Accountants' Comments section of this report.
4. We tested selected recorded journal entries and appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate. The individual transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.

5. We tested selected entries and monthly totals in the subsidiary records of the South Carolina Office of the State Auditor to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and the internal controls over the tested transactions were adequate. The transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
6. We obtained monthly reconciliations prepared by the South Carolina Office of the State Auditor for the year ended June 30, 2000, and tested selected reconciliations of balances in the South Carolina Office of the State Auditor's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if they were accurate and complete. For the selected reconciliations, we recalculated the amounts, agreed the applicable amounts to the South Carolina Office of the State Auditor's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the South Carolina Office of the State Auditor's accounting records and/or in STARS. The reconciliations selected for testing were chosen randomly. Our findings as a result of these procedures are presented as Comment 1 in the Accountants' Comments section of this report.
7. We tested and made inquiries regarding the South Carolina Office of the State Auditor's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 2000. We found no exceptions as a result of the procedures.
8. We obtained copies of all closing packages as of and for the year ended June 30, 2000, prepared by the South Carolina Office of the State Auditor and submitted to the Comptroller General. We reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual (GAAP Manual) requirements; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.
9. We were advised that the South Carolina Office of the State Auditor did not receive any Federal Financial Assistance. As a result, we performed no procedures in this area.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Further, we were not engaged to express an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the South Carolina Office of the State Auditor's financial statements or any part thereof, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the members of the State Budget and Control Board and of the South Carolina Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Columbia, South Carolina
October 23, 2000

Accountants' Comments

Accountants' Comments

We noted the following matters during our engagement:

1. MONTHLY RECONCILIATIONS

In performing our procedures on monthly reconciliations of cash, revenues, and expenditures, we noted that the reconciliations were not complete for revenues. As a result, the revenues recorded for the Sale of Documents in the general ledger was not in agreement with the amount recorded in STARS as reflected on the Comptroller General's reports.

Section 2.1.7.20.c of the Comptroller General's Policies and Procedures Manual (STARS Manual) requires monthly reconciliations for cash, revenues, and expenditures be performed at the level of detail in the Appropriation Act to facilitate error detection and correction. Proper reconciliation of cash, revenue, and expenditure balances of the agency's accounting records and those in the State's accounting system (STARS) requires that certain procedures be followed.

We recommend that these procedures be implemented to ensure that the monthly reconciliations be properly and timely performed and carefully reviewed by an appropriate agency official (other than the preparer). Further, we recommend that the preparation and review of the reconciliations be properly documented.

2. NEW HIRE AND TERMINATION PAY

- A. In our test of employees who were hired by the agency in the current year, we noted that an initial payment for an employee was incorrect by \$11. We noted that the amount was correctly recorded in the employee folder but incorrectly calculated and recorded in the system.
- B. In our test of employees who terminated employment with the agency, we noted that the final payment for an employee was incorrect by \$45. We noted that the amount was correctly calculated in the employee folder but apparently input in the system incorrectly.

An effective accounting system includes control procedures to ensure proper recording of transactions.

We recommend the agency implement procedures to ensure that the initial and final pay is calculated correctly and, further, that the correct payment amount is input into the system. We also recommend that all computations for initial and termination pay be adequately reviewed.

Management's Response



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Management's Response

MONTHLY RECONCILIATIONS

The accounting procedures of the State Auditor's Office are detailed in the Internal Accounting Control Procedures. This is an internal document that specifies the timing and procedures for conducting reconciliations. These procedures would normally identify an error such as the one found by the auditor. A deposit of \$27.50 was erroneously recorded twice and was not detected during the reconciliation process. The error resulted in a \$27.50 overstatement of revenue in the agency's accounting records.

The above notwithstanding, we have requested an additional report from the CG's office to assist in the reconciliation process. The additional report will detail individual revenue transactions and should help identify reconciling differences.

NEW HIRE AND TERMINATION PAY

The Internal Accounting Control Procedures also specifies the agency payroll procedures. One step in the procedures requires a review of computations. In the past this review was conducted on a sample or "spot check" basis. The procedures have been modified to include a check of all computations used in making adjustments to the payroll.

A handwritten signature in black ink, reading "Tom Wagner".

Thomas L. Wagner, Jr., CPA
State Auditor

November 17, 2000